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THE CURRENT SITUATION AND PROBABLE DEVELOPMENTS IN EASTERN GERMANY THROUGH 1952

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I. THE CURRENT POLITICAL SITUATION AND PROBABLE POLITICAL DEVELOPMENTS

A. The Position of the Regime

1. Governmental Structure. Ostensibly Eastern Germany has a democratic form of government. There is an executive branch appointed by the lower house of the legislature, the Volkskammer. There is also an upper house, the Laenderkammer, which represents the various states. The judicial branch has little independence and the constitution does not attempt to carry through separation of power between the various branches of the government.

While the Socialist Unity (Communist) Party (SED) by itself does not have a majority in the main legislative body, the Volkskammer, it nevertheless has secured complete control of this body. At the last election, October 1950, it has forced all the other parties to agree to a single slate ticket called the "National Front." Moreover, it has placed numerous loyal SED adherents in the seats reserved for representatives of the so-called mass organizations, such as the trade union and youth organizations, which were granted special representation in the Volkskammer.

Political power rests in the SED which dominates the whole governmental and administrative apparatus. Its power derives from its close collaboration with the Soviet Control Commission as well as from the fact that SED members occupy all the key positions in the administration and the economy of the country.

2. Popular Support. Between five and fifteen percent of the East German population is estimated to favor the continuation of the present regime. Probably one-third of this group consists of convinced believers, with the remainder being opportunists. The percentage of the population which is politically indifferent is thought to be negligible. Between 85 and 95 percent of the population, therefore, hopes that the regime will be eliminated. The amount of active or passive resistance which this predominant majority manifests against the regime, however, is very small; its attitude is one of passive acceptance.

Youth furnishes the largest single segment of support for the regime. The contribution which other groups -- such as women and labor -- make is relatively much smaller. Basically those elements who have a vested interest in the continuation of the regime provide its chief support. This applies in particular to the SED, which comprises roughly ten percent of the population.

There are probably more adherents of the regime in urban, industrialized areas than in rural areas. Beyond this, with the exception of East Berlin, there is no apparent relationship between the geographical distribution of the population and support for the regime.

Since the establishment of the regime in October 1949, the extent of the regime's popular support has increased. This development stems from the regime's increasing influence on youth, some improvement in the standard of living, the indirectness of Soviet controls and exploitation.

Even if all or part of the Soviet occupation forces were withdrawn the security apparatus of the regime is adequate to ensure its remaining

in power. The position of the regime could be made still more secure by an East German-Soviet arrangement, providing for a return of Soviet forces in the event of a serious threat to the regime.

3. Appeal of regime's program. The lower age group among youth is particularly susceptible to the appeals of the regime. Clergy and active church members are least susceptible. Other groups, such as older youth, women, farmers, artisans, industrial workers, former Nazis, resettlers and expellees, occupy an intermediate position.

4. Impact on youth. In attempting to gain adherents among the population, the regime has directed its major effort toward youth, especially the lower age group, and has scored considerable success.

The age group from 6 to 25 comprises one-third of the total population. Even though 75 percent -- comprising the older people in this group -- is believed to be opposed to the regime, most of the regime's support derives from this group. Among youth the percentage of those favoring the regime is higher than in other social groups; moreover, proportionally youth probably provides the largest percentage of supporters whose attitude is not governed by considerations of immediate self-interest. As time goes on the amount of active support which the regime receives from youth will increase still further.

5. Effectiveness of leadership. In the immediate post-war period professional competence was apparently the basic criterion for holding an administrative position of some consequence, so long as the applicant was not a major Nazi. Since then this situation has changed. An actively pro-Communist attitude, or at least political reliability from the Communist

point of view, is now more of a consideration than heretofore. While the administrative apparatus is, thus, politically reliable, it is less skilled than it would be if the political factor were to receive less stress. Additional factors which further weaken the effectiveness of the administrative apparatus are: the practice of entrusting position to individuals whose age and qualifications are not commensurate with their responsibilities; the deterioration of the educational system; the westward flight of professional people; and the imposition of Soviet methods.

As the social revolution becomes stabilized, a corrective trend will probably develop. Those administrators who do not now have the requisite qualifications will learn by doing. Increasingly the choice before any young person envisaging a career in government is simple -- either to accept the Communist dictation of East German life or to forego any chance for such a career. Very probably he would make the former choice. The prospect, then, is that a corps of leaders, competent at least by Communist standards, will emerge in Eastern Germany.

6. Political parties and groups. Aside from the SED the following political parties exist in Eastern Germany: Christian Democratic Union (CDU), Liberal Democratic Party (LDP), Democratic Peasants Party (DBD), and National Democratic Party (NDPD). In East Berlin, the Social Democratic Party is still permitted to exist legally.

The CDU and LDP are the Eastern counterparts of the Christian Democratic Union and Free Democratic Party in Western Germany. Their activity has become more and more limited so that today their primary purpose, as far as the SED is concerned, is to maintain the fiction that Eastern

Germany is a multi-party state. The DBD and NDPD were expressly created by the SED to broaden the base of its support among those elements in the population who are reluctant to join the SED or who, because of past Nazi associations, are not desired in the SED. All those parties participate in the "National Front."

None of these parties maintain any formal ties with political organizations in Western Germany. However, they are used as unofficial and personal channels of communication by the SED for the covert dissemination of propaganda concepts. This is especially true of the CDU in the current unity campaign.

7. German Communist influence on Soviet policy. Like Communist leaders the world over, the East German leaders have a dual character. On the one hand they are the leaders of a national Communist party which at least to some extent must espouse national interests; on the other hand, they belong to the leadership of international Communism. Whenever these two roles conflict the latter is overriding. While they may participate in the formulation of Soviet policy on Germany, they do so in their international capacity. Within Eastern Germany, they are primarily the executors of Soviet policy. In order to make this policy more palatable to the population, they may exert an ameliorating effect on the way in which this policy is carried out but they cannot change its main lines.

8. German Communist influence in Orbit. There is no evidence on how much or how little influence the East German Communist leaders have in the Orbit. Whatever the extent of this influence, it derives from their personal characteristics and their international, rather than national, positions.

In view of the subservience of all the Orbit leaders to Moscow, any differentiation of influence is of little practical importance.

Although the USSR has made abundant use of German technicians and the various East German-Satellite treaties provide for the exchange of scientific and technical information, there is only scanty evidence that German specialists are being employed in the satellite countries.

9. Soviet control. With the establishment of the GDR, the USSR replaced its instrument of direct control -- the Soviet military Administration (SMA) -- with less obvious but nevertheless just as effective means and devices of control. The SMA was succeeded by the Soviet Control Commission (SCC), which operates with a smaller and more centralized staff and whose functions are chiefly supervisory. The functions exercised by the various departments of the SMA were transferred to the new government.

There are two vital exceptions to this general relaxation of direct Soviet controls. The control exercised by the Soviet internal security apparatus (MVD) over its East German counterpart was not modified. In the economic sector, the Soviet-controlled corporations (SAG's) still operate as an adjunct of the Soviet economy, with control being exercised by Soviet representatives directly responsible to Moscow.

As Soviet political control became less direct, the SED emerged as the principal and most potent instrument of Soviet policy.

10. Position of regime vis-a-vis USSR. The leaders of the East German regime are totally subservient to Moscow. This condition would continue to prevail even if Soviet forces were withdrawn. Even under these cir-

cumstances, there is little chance that "Titoism" will emerge in Eastern Germany. Only in a united Germany, under Communist control, would there exist the necessary pre conditions for the establishment of a center of Communist power competing with Moscow.

B. Issues and Forces Affecting the Regime

1. Handicaps to the regime resulting from Soviet and Communist control.

a. Traditional attitudes. There are several basic traditions in Eastern Germany which promote latent hostility to the regime. Given sufficient time, the regime, through the medium of indoctrinating youth, will probably be able to neutralize these traditions sufficiently so that they do not constitute an important impediment to the realization of its program.

i. Perhaps the strongest of these is anti-Slav nationalism. Germany's antipathy for its Slav neighbors manifests itself chiefly in the cultural sphere. Almost all Germans identify themselves with the Western cultural heritage and consider Slavic, particularly Russian culture, generally inferior to their own. Politically, this tradition has been less firmly anti-Slav. There is some willingness to enter into arrangements of convenience. Despite strenuous efforts the Communists are reported to have met with little success in breaking down this tradition in its cultural aspects.

ii. Before 1933 Social Democracy and trade unionism were particularly strong in Eastern Germany. In weakening this tradition the Communists had the spade work done for them by the Nazis. On the other hand, the subsequent disillusionment experienced by Social Democrats who agreed to the Socialist-Communist merger, which led in 1946 to the creation

of the SED, and the labor policy of the regime have acted as a brake on the weakening of this tradition.

iii. The religious tradition of anti-materialism and Christian ethics affects wide strata of the population. Thus far, the regime has refrained from launching a frontal attack against the Protestant and Catholic churches although it is probably only a matter of time before such an attack is undertaken.

iv. Finally, although it is counteracted by the tradition of obedience to authority, the tradition, throughout Germany, of a government of laws rather than of men provides the basis for some of the opposition against the suppression of individual freedoms and political terror -- in fact against all the appurtenances of the totalitarian state. Of all the traditions this is the most difficult to deal with because unlike the others it does not depend in large part on transmission from one generation to another.

b. Recent Soviet decisions. Those elements among all groups of the East German population who have suffered most tangibly and directly from the current implementation of Moscow's German policy can hardly be expected to be protagonists of the USSR. The grievances arising from Soviet implementation of this policy probably contribute heavily to popular dissatisfaction with the regime. The Communist myth that Soviet and German national interests are identical undoubtedly finds little acceptance. Nevertheless, the dissatisfaction engendered by Moscow's recent decisions is diffuse and inchoate and largely centered in those groups on whom the Communists do not rely anyway for supporting the regime. In addition, the East Germans probably consider, at least in part, Soviet occupation policies as the unavoidable consequences of a lost war.

2. Berlin and Western Germany

a. Berlin. The presence of Allied forces in Berlin serves as strong evidence to the anti-regime elements of the population that the Western world has not abandoned them.

The democratic life of the still accessible Western sectors of Berlin constitutes a factual refutation of the Communist propaganda line that political and individual liberties are being suppressed in the West.

b. Western Germany. Among the opponents of the regime opinion is divided between those who favor a neutralized, united Germany and those who favor the total integration of a united Germany with the West. The former group sees in the Western program for Western Germany a major obstacle to the realization of its aims. The latter group is likely to be heartened by the growing evidence of Western determination to get on with the job, and is believed to be considerably stronger than the first. Moreover, this group is said to be augmented increasingly by elements who see in the growing strength of the West the only opportunity for a release from Communist domination.

While these developments may make considerable groups among the population more restive, it is doubtful that Soviet expolitation of Eastern Germany will be significantly affected. Restiveness will be answered by the regime by further repression and intensified controls.

3. The Unity Issue.

a. Political importance. The East German population undoubtedly shares the general German desire for unity. Very probably, that desire is stronger in Eastern than in Western Germany because the position of the

predominant majority could not help but be better in a united Germany than it is now.

In pushing its unity drive, the regime probably derives some support from elements of the population who are not basically pro-Communist, such as nationalist or Church groups.

b. Evidence of Relaxation of Soviet Control. Evidence that the USSR is likely to relax or surrender its control over East Germany in an effort to slow or stop West Germany's rearmament and integration with the West consists chiefly of rumors and "private" statements of Soviet and East German officials to that effect and to persistent effort in the East German unity campaign to convey that impression.

Periodically since the beginning of the current phase of the unity drive, one or another Soviet or East German figure has stated more or less definitely in private conversation that the USSR in its desire to avert West German rearmament would be willing to allow genuinely free elections in East Germany even at the cost of its own control, would accept even a "reactionary" German government, etc., always with the proviso that the resulting Germany be demilitarized and neutralized. Such statements, plus a certain amount of wishful thinking in various Western circles, are apparently responsible for the numerous rumors to the same effect which have paralleled them.

No such statement or rumor has, however, been followed up by a corresponding concrete and binding offer on the official level. The various East German proposals for all-German discussions or unification have

indeed been designed to create an impression of willingness to exchange control of East Germany for German neutrality and disarmament. They have from the first proclaimed the Communist desire for a "free, democratic and peace-loving Germany" and they have implied a progressively greater willingness to consider such points as free elections and the necessary guarantees that such elections would be free. This implication has been conveyed, however, by the proposal that such points be "discussed" rather than by unequivocal acceptance of any specific guarantee. The general concession of "free" elections itself is vitiated by simultaneous insistence that Communist-controlled elections already held in East Germany have been free and a number of the specific guarantees demanded by the West have been categorically rejected. While the manner in which the latest proposals are being presented is less belligerent in this respect, the East German Communists and the USSR still flatly reject neutral or UN pre-election inspections in Germany in favor of four-power inspections with the USSR participating under unspecified conditions.

Continuing consolidation of the Soviet military position in East Germany by such measures as airfield construction and enlargement would also argue against any likelihood of abandonment of the area in the near future.

The balance of probable advantages and disadvantages to the USSR of such a step would also appear on the whole to be evidence against it. While a guarantee of the neutrality and demilitarization of Germany might be a serious blow to the Western defense effort, it is doubtful whether the

Kremlin's confidence in the long-continued validity of such a guarantee would be great. The USSR could possibly gain under a united, neutral Germany certain trade advantages in West Germany which it does not now enjoy. It would have, however, to weigh against the problematical extent of these advantages, the certain loss of a large share of the profit it now derives from Eastern Germany. Surrender of control would also be a serious blow to Soviet prestige and propaganda effectiveness, both as an example of Soviet retreat and as furnishing a convincing exposure, once East Germany had been opened to the West, of the fraud of previous Soviet and Communist claims regarding conditions there.

On balance it would appear that, while the Kremlin may hope that the prospect of Soviet retreat will entice the Western powers or the West Germans or both into prolonged negotiations with consequent delay in West Germany's progress toward rearmament and integration with the West, it has at present no intention of actually retreating.

c. Prospect for a Soviet-East German Peace Treaty. There is no tangible evidence to suggest the possibility that the USSR will conclude a unilateral peace treaty with Eastern Germany. On the pattern of previous Soviet tactics in Germany some such step might be expected to follow successful conclusion of the current negotiations between the Western powers and West Germany on contractual relations, much as the formation of the Federal Republic was countered by the establishment of an East German state with nominally greater sovereignty and privileges in foreign relations.

Soviet and East German prestige has perhaps also become somewhat involved in the target date of 1951 set by the Communist-sponsored plebiscite of last spring and summer for a general German peace treaty and it is barely conceivable that a unilateral treaty might be considered as a partial fulfillment of this goal.

There has been no concrete indication that such a step is contemplated for the near future, however. Certainly little time remains for a fulfillment of the 1951 target date; there has been no propaganda build-up as yet for such a step, and it is noteworthy that this date has received little emphasis of late.

Such a treaty would have relatively few advantages from the Soviet viewpoint. Should it be concluded, it would certainly be played up propaganda-wise as indicative of Soviet generosity and as conferring greater sovereignty and more benefits otherwise upon East Germany than West Germany enjoyed under its agreements with the West. The Kremlin might also hope that more drastic action could be taken against the West in certain fields, Berlin for instance, and with less direct Soviet involvement and risk, through a nominally independent East German government than is possible under present circumstances.

On balance however, it would give the Kremlin no real benefits which it does not already have, and it would have a number of serious disadvantages. No matter how it was represented in Soviet and East German propaganda, it would probably be interpreted in the West as finalizing the inclusion of East Germany in the Soviet orbit and the division of Germany. It would thus

turn against the USSR the sentiment in favor of German unity which it has itself encouraged and attempted to use against the West. It would end the hopes of elements now inclined toward neutralism for a peaceful unification of Germany and enlist at least a portion of their support for rearmament and integration with the West. For these reasons alone, such a step would appear unlikely at least until West Germany's new relations with the West have been finalized and the USSR has abandoned all hope of weakening them by appeals for German unity.

Such a treaty would perhaps have more weight in Western eyes should it be accompanied by Soviet troop withdrawal. While the treaty in itself would tend to make continued presence of Soviet troops less justifiable politically and propaganda-wise, however, it is doubtful that the Kremlin would contemplate withdrawal while Western troops remain in West Germany or before East Germany and the neighboring satellites are regarded as thoroughly reliable.

Furthermore, while, as noted, the Kremlin might feel that the nominal independence of East Germany offered a convenient instrument for eliminating the Western position in Berlin, that position would be an even greater irritant and potential threat under such a circumstance than at present, if it could not be eliminated.

d. Soviet ctions Regarding German Unity. Beyond the elaboration and intensification of the tactics now being followed, the Kremlin can take virtually no action to influence the West and West Germany on the issue of German unity without accepting a weakening of its control over East Germany.

Unequivocal acceptance of the conditions laid down by the West and Western Germany would certainly do so.

Moscow may feel, however, that existing internal divisions in West Germany and differences between West Germany and the Western powers and among the latter still offer favorable chances of at least delaying Western progress by a continuation of its present policy of making progressively more attractive offers of terms on the preliminary measures to be taken for unification. Such an offer might thus eventually contain specific points virtually duplicating the majority of the West's basic demands with the hope, however, of producing negotiations on unity rather than immediate steps toward implementation. Such negotiations could still be indefinitely prolonged by haggling over apparently minor remaining differences without leading to an actual agreement, implementation of which would endanger the Communist position in East Germany.

Until or unless greater divisions appear in the Western camp than have to date, it is doubtful whether the Kremlin would expect that actual unity could be attained on terms acceptable to itself.

4. Popular Discontent.

a. and b. While popular discontent with the regime is widespread, there is no evidence that it is on an organized basis nor that it is particularly effective in preventing the regime from attaining its objective. Similarly, sympathy for the West is widespread but it too is diffuse and unorganized.

c. Because of its very size, youth probably contributes most heavily in numerical terms to popular discontent. As a group the clergy

is reported to be the most solidly anti-regime element. At least among the Protestant clergy, however, the tradition of submission to the civil authorities probably militates against manifestations of active resistance.

d. The regime will probably be able in the future to prevent popul r discontent from coalescing into an organized force.

III. CURRENT ECONOMIC SITUATION

Economic Plans for 1951-1955

At the SED party congress in July 1950, Walter Ulbricht, Deputy Premier of the DDR, first announced the ambitious Five-Year Plan for the period 1951-1955. This Plan, in a modified version though basically similar and frequently identical in its phrasing, has been enacted into law by the People's Chamber on November 1, 1951. The main purpose of the plan is to increase the DDR's heavy industrial capacity in order to reduce the area's dependence on imports, particularly from West Germany which was its traditional source of bituminous coal, steel, heavy machinery and many other products. Under the plan, total industrial output is expected to double over the present level (which is roughly equal to the 1936 level). Real national income is scheduled to rise by 60 percent. Steel production is to reach 3 million tons by 1955, or about three times the 1950 output and more than twice the prewar production. This level would correspond approximately to the prewar steel consumption in East Germany. In order to achieve this result a vast expansion of iron ore and pig iron production is envisaged. The 1955 goals for these two items have been greatly raised in the new version of the Five-Year Plan. The target for domestic iron ore production has been increased from 1.8 million tons to 3.65 million tons (production in 1951 is estimated at 450,000 tons), and that for pig iron from 1.25 million tons to 2 million tons (production in 1951

about 400,000 tons). Other large increases are planned for brown coal, copper ore, electric energy, heavy chemicals, machine tools, electric generating equipment, and trucks. Targets for most of these key commodities were revised upward in the new version of the plan. For brown coal an additional 10 percent increase was ordered on top of the 55 percent increase stipulated in the original Five-Year Plan in spite of the known difficulties in providing the machinery for this expansion of mining operations. The 1955 target for copper ore output was increased from 1.5 million tons to 2.65 million tons, compared with a present annual production of only 800,000 tons. The shortage of copper in East Germany has created very serious difficulties in the manufacture of many key items.

Consumers' goods production which so far had lagged considerably behind that of the basic industries is scheduled to double by 1955. This would bring textile and leather consumption to approximately the 1936 level.

The agricultural plan for the five-year period calls for a 57 percent increase in the value of production over present levels. US intelligence sources 1/ estimate that the real value of all agricultural production (including livestock) in 1950 did not exceed 75 percent of the prewar level in spite of higher claims (up to 100 percent) by the East German authorities. The plan envisages an increase in output for grains and pulses to 11 percent above the prewar level, for sugar beets to 27 percent and for potatoes to 29 percent. Yields per hectare are to exceed prewar levels by about 5 to 10 percent. Availability of fertilizer in 1955 is scheduled to reach the prewar amounts in the case of potash and nitrogen, but is

1/ See OIR 5202, Economic Situation of East Germany, 1950, August 7, 1950.

expected to remain about 10 percent below in the case of phosphates. It is estimated that for the crop year 1950/51 nitrogen and potash consumption was only 85 percent of prewar and phosphates only 50 percent. Generally, food availabilities per capita in 1955 are expected to equal or slightly exceed the 1936 level. The earlier hope that meat, fat, milk and egg rationing could be abolished by the end of 1951 or at the beginning of 1952 has apparently proved to be premature and the date for de-rationing has been postponed to 1953.

The Plan foresees wage and salary increases of 16.5 percent over 1950 for the economy as a whole and of 20 percent for industry. At the same time the general price level for food and consumers' goods is to be lowered by at least 28 percent. Taxes are also to be reduced. This is consistent with the planned increase in real national income of 60 percent. Even such a large increase, if realized, would bring private consumption per capita in 1955 to only a little above the 1936 level, based on a previous OIR estimate of the 1950 consumption level of 67 percent of 1936. 1/

The Economic Plan for 1951 published in the Spring of 1951 provides for an increase of gross industrial production by 17.9 percent above 1950. This expected increase represents exactly one-fifth of the proposed expansion during the Five-Year Plan. If the proclaimed achievement of about 110 percent of the prewar level in 1950 is used as a basis, this would bring 1951 gross industrial production to about 130 percent of the 1936 level. If the US intelligence estimate 2/ of 85 percent is accepted for

1/ See OIR 5202.
2/ OIR - HICOG Intelligence. See OIR 5202.

1950, achievement of the 1951 plan would raise industrial output to 100 percent of the 1936 level. The East German government claims that on an overall basis the industrial plan has been overfulfilled in the first three quarters of the year by about 4 percent, though admitting that in some important sectors the targets were not fully reached. In line with the general principles of the Five-Year Plan, the largest expansion is planned for machine construction, and precision and optical instruments. A considerable acceleration of the capital investment program is foreseen, particularly in heavy industry, machine building, and transportation facilities. It is admitted that the 1950 investment plan was not realized owing to faulty planning, difficulties in obtaining equipment (particularly from West Germany), and "lack of discipline." The 1951 Plan singles out specific plants for the expansion program, including several iron and steel mills, machine tool and heavy industrial equipment factories, synthetic fiber plants, and a large electric generating plant. These projects are to receive priority in the allocation of raw materials, fuel, and industrial equipment. In order to mitigate the effects of the acute shortage of electric power, which cannot be overcome in 1951, the Plan calls for a better diversification of the power load. Complaints about the inferior quality of iron and steel products brought a warning from the government that rolling mill products must be "decisively" improved. It is also stated that available capacities must be used more efficiently than in the past.

The 1951 plan for agriculture aims at an output equal to the prewar level for the main field crops, which would represent a slight increase

(between 2 and 6 percent for the individual crops) over 1950. Larger increases are planned for livestock production, but output will still remain considerably below prewar. Beneficiaries of the land reform will receive further aid. The all-powerful Machine Lending Stations (MAS) will be further expanded, but no mention is made of plans for collectivization.

The trend toward increased state control of the economy will continue during 1951. By the end of 1951 the share of publicly-owned enterprises in total industrial production (excluding SAG's) is expected to reach 76.6 percent, as compared with 68 percent in mid-1950. The need for private enterprise and its importance for the economy is emphasized, as on previous occasions, but actual developments do not bear out the sincerity of this statement.

Soviet Takings of Industrial and Other Goods

Soviet takings continued on a substantial level in 1950 although they seem to have been roughly one-third less than in 1949. Deliveries to the Soviets were made under many different headings and this makes an even approximate accounting difficult. The DDR's economic plan for 1950 stated that reparations would amount to 4.4 percent and other deliveries to the occupation authorities to 1.9 percent of the planned gross industrial production. This statement is probably literally correct. The budgeted amount for reparations proper of DM 970 million and the planned deliveries of goods to the occupying power of DM 452 million constitute 4.3 and 2.0 percent, respectively, of the gross production plan for 1950 of DM 22.5 billion. However, these figures are misleading for several reasons. Reparations and deliveries to the Red Army are calculated strictly at 1944 stop prices (or about 20% above 1936 prices) while the production plan figures, though originally also in terms of 1944 prices, reflect subsequent upward price adjustments amounting, on the average, to about 30 percent. Furthermore, reparations are end products and must therefore be compared with net production values which on the basis of the 1936 relationship, are only 53 percent of the gross values. After adjustments made for these reasons, it was estimated in the middle of 1950 that industrial deliveries in 1950 represented about 17 percent of the total net industrial production. Very little information has subsequently become available regarding 1950 deliveries and no better estimate can be

given at this time. A recent intelligence report indicated that actual reparations deliveries in 1950 amounted to DM 1,007 million or about 4 percent more than those stipulated in the original plan. This over-fulfillment of reparations deliveries is in line with the slight over-fulfillment claimed for the 1950 production plan.

The 1951 economic plan does not mention reparations or other deliveries to the Soviets. The only basis available for a 1951 estimate is the statement by the Soviets of September 1950 announcing that they would reduce by one-half the reparations still owed to them of the original demand of $10 billion. They declared that $3,658,000 (presumably in terms of prewar purchasing power) would be considered paid by the end of 1950 and that one-half of the remaining amount, or $3,171,000, would be payable over the period 1951 to 1965. If this amount is to be paid in equal installments, the annual payments would amount to $211,400,000. Depending on the conversion rate used, this amount would equal about 530 to 700 million prewar Reichsmarks, as compared with about RM 800 million for 1950. There is no indication that occupation costs and goods deliveries to the occupation authorities have been reduced in 1951. Total industrial deliveries therefore are probably only slightly reduced and still amount to about 10-13 percent of — the increased — net industrial production.

25X1

[redacted] reparations deliveries to the Soviet consist predominantly of producers' goods, about half of the value being accounted for by heavy machinery, electrotechnical products, optical

and precision instruments, and prefabricated houses. Other important items are chemicals, synthetic petroleum products, and fishing boats.

Armaments Production for the Soviet Union

Recently considerable evidence has become available that armament production is taking place in East Germany. [redacted] 25X1

25X1 [redacted]

aside from the production of small arms, weapons components, munitions, and dual purpose equipment, which has been going on for some time on a limited scale, production of heavy military equipment is being organized in the area. The manufacture of complete tanks of the type "T34" and "Stalin" is reported in two plants. In one plant four to six new tanks are reported to leave the factory each week, while in the other one tank is said to be completed every other day. The two plants are reported to be equipped for large scale serial production which so far has not yet been started. A large number of plants, mainly SAG's and VEB's, are said to be producing tank parts, mainly for the "T34." Frequently production is reported to be carried on under disguise (such as parts for tractors or dredging machines) but it can apparently be established that the quantities produced exceed by far the need for such spare parts and their dimensions and specifications fit only tanks. [redacted] 25X1

25X1 [redacted] the following tank parts are produced in specifically named plants:

Armor plate for "T34" up to 80 mm thickness	in six plants
Gears for tanks	in three plants
Armored turrets for tanks and parts	in three plants
Tank underbodies	in one plant

Many factories are reported to produce gun parts such as gun carriages, heavy and medium gun turrets, parts for anti-aircraft guns, and gun breaches. One of the SAG's is producing railroad flat cars of heaviest construction, ostensibly "crane cars." These cars were identified by their specifications as carriers for long-barrelled guns. It is estimated that about 2000 such flat cars were produced up to the end of 1950. Special purpose freight cars suitable for the transportation of tanks and guns and other heavy war equipment are also being built for Soviet account. One factory produces track removal machines (three per month) copied from an American model.

Other military items identified in the reports are munitions of many kinds, chemicals such as nitroglycerine, toluol, concentrated nitric acid, gun cotton and poison gases, fuel for jet aircraft and high octane aviation gasoline.

Among the many miscellaneous military items produced in the area are camouflage nets, military boots, military leather goods, uniforms, field kitchens, military hardware such as belt buckles and canteens. An important item is the production of fine wire mesh which is needed for jet propelled aircraft and for ore concentration in the mining of uranium.

One SAG is producing special roller bearings for tanks and aircraft.

The ten people's owned shipyards are filling orders from the Soviets for an annual production of 250 luggers of 450 gross registered tons and 50 seiners of 350 tons. Although these ships are supposedly fishing craft, it is reported that the specifications suggest that these vessels may be intended for patrol, mine laying and shore protection duties. The boats are delivered to the Soviet navy; the smaller ones have reportedly been added to the Soviet Black Sea fleet. Production of submarine parts such as diesel engines, special valves and centrifugal pumps is also reported.

Although no aircraft production has so far been reported, accessories are apparently being produced among which are precision measuring instruments, bomb sights, cameras, potentiometers and others. There are also reports on production of equipment for air fields, such as mobile power plants for search lights, tank cars for refuelling, tanks for jet fuel, and searchlights.

Telecommunication equipment of practically every description including transmitters, amplifers, special mobile sending stations, field telephones, condensers are manufactured by a large number of plants for delivery to the Soviets.

A further intensification of armament production could be achieved since most of East Germany's industry could be easily converted to military production. The general development of the industrial economy in East Germany points toward the creation of the largest potential center of war

industries among the Satellite countries. In case of war, East Germany could readily serve as an advanced supply area for the Red Army. Much of its present production, including trucks, chemicals, synthetic gasoline, etc. are of dual character and could, without conversion, immediately fill pressing needs of the Soviet armed forces.

Uranium Mining

Mining of uranium falls within the category of armaments production for the Soviet Union. Very little specific information is available on the vast operations of the Wismut A.G., which is in charge of the project. According to East German census figures a total of 242,000 people were employed in these operations in 1950, and the number for 1951 is officially estimated at 283,000. Even though the company is officially described as an SAG, it is practically autonomous in order to preserve complete secrecy of operations. The ore, is dispatched to the USSR in special containers, probably in the form of concentrate. The uranium content of the ore is variously estimated at between 0.06 and 1.1 percent; that of the concentrate (in one of ten dressing plants) at 2.5 percent. No information is available as to total output. Apparently no German has access to the records. In order to gain an idea of the magnitude of the operations, the following calculation is made. On the basis of an average income of DM 4,500 per year (as indicated in the East German census for the Wismut A.G.), and a total labor force of about 280,000 men, the total payroll amounts to DM 1.26 billion. Adding expenditures for materials of at least DM 300 to 400 million per year, the total cost of operations amounts to more than DM 1.5 billion, or the equivalent of at least $300 to 400 million.

Obstacles to the Fulfillment of the Industrial Plans

Even under favorable conditions, the East German economic plans for the period 1952 to 1955 will pose enormous problems to the planners and the industrial economy will be strained to the limit. Shortages will interfere with the even flow of industrial production and hamper the badly needed improvement of productivity and quality of output. Some of the principal vulnerabilities of the East German economy at present and in the coming year are discussed below.

Coal

The lack of bituminous coal and coke in East Germany has been one of the most serious economic problems since the end of the war. The area produces at present only about 3 million tons as compared with 3.5 million tons in 1936. Imports of bituminous coal and coke in 1950 amounted to about 4.5 million tons as compared with a little over 11 million tons in 1936. However, the increased lignite production of 135 million tons in 1950, about one-third more than in 1936, compensated to some extent for the bituminous coal deficiency. Progress has been made in expanding the use of lignite for industrial processes, but the shortage of bituminous coal is very critical in the iron and steel, chemical and other industries. Minister Rau recently mentioned the coke shortage as one of the area's greatest economic worries. Considerable hope is held out for further progress in substituting lignite for bituminous coal.

The success of experiments with brown coal coke in the production of pig iron in low shaft blast furnaces is still in doubt. The use of brown coal briquettes in locomotives has raised considerable problems that have not yet been solved. Experiments with coal dust firing are now being carried on. The economic plan does not provide for any sizeable increase of bituminous coal production, but brown coal output is scheduled to rise by more than 60 percent by 1955. East German technical experts have expressed serious doubts about the feasibility of the program. Should coal production fall considerably short of the goal and imports of bituminous coal and coke do not increase substantially, achievement of other five-year plan goals will be jeopardized.

Electric Power

Almost as serious as the coal shortage is the shortage of electric power. Output in 1950, with 18.5 billion KWH, was about one-third above that for 1936. Plans call for an output of 33.4 billion KWH by 1955, an increase of 80 percent over 1950. The load on the system is extremely heavy, particularly in view of the high age of the equipment, averaging about 26 years. Rehabilitation and expansion of the power system is one of the key programs in the economic plans. A large part of the needed equipment and spare parts must be imported from West Germany and West Berlin. Only about 50 percent of the import program materialized in 1950. Production of generating equipment is planned to increase substantially. The power shortage may be expected to continue to handicap the overall industrial expansion program. Great difficulties in obtaining machinery from imports

and domestic production (simultaneously with the execution of large reparations orders) must be anticipated.

Iron and Steel

The lack of iron and steel, together with the coal shortage, the area's most pressing material supply problem, and the increase of iron and steel supply is, therefore, one of the key points in the industrial program. The Five-Year Plan calls for a steel production of 3 million tons by 1955, or roughly a tripling of the 1950 output. This level of output would, however, be only just sufficient to satisfy Eastern Germany's prewar steel requirements. Pig iron output is scheduled to reach 2 million tons in 1955, a sixfold increase from 1950. The iron and steel program requires an enormous expansion of blast furnace capacity, steel and rolling mills, and iron ore mining and in addition calls for substantial imports of iron ore from the USSR, and of coke from Poland. Some of the heavy equipment is scheduled to be imported from West Germany in spite of strenuous efforts to manufacture a large part of the machinery in East Germany. In the immediate future large imports of steel, mainly as rolled products, are required, estimated by DDR authorities at between 700,000 and 950,000 tons in 1951, but it is unlikely that more than 500,000 will be obtained. Total steel availability for 1951 may be estimated at about 1.8 million tons, an increase of 30 percent over 1950. This quantity will fall short of the goal by at least 250,000-300,000 tons.

Furthermore, there are qualitative inadequacies. Frequent complaints

of substandard quality of iron and steel have been officially recognized in the 1951 plan. It appears that haste in the erection of new steel mills and lack of skilled manpower are the main factors. These problems will continue throughout the Five-Year Plan period.

Non-Ferrous Metals

The shortage of non-ferrous metals was discussed with considerable emphasis in Minister Rau's speech in March 1951, introducing the 1951 economic plan. The area is greatly deficient in all non-ferrous metals. The worst shortage is that of copper. Supplies in 1950 were less than 40 percent of the 1936 quantity. Since imports are difficult to obtain, domestic ore production is to be greatly expanded, from 800,000 tons at present to 2.65 million tons in 1955. However, given the low metal content of about 1.15 percent, this quantity of ore will yield only about 30,000 tons of copper or about one-third of prewar consumption. In view of the urgency of repair and new production of electric generating equipment, transformers and distribution network, which require large quantities of copper, the copper shortage is critical. Copper is extremely short throughout the Soviet orbit; imports from the West are very small and the domestic scrap collection drive has proved a failure. No substantial alleviation of this shortage is to be expected in the next few years.

The area has practically no deposits of lead, zinc, tin, or any of the minor non-ferrous metals and is therefore largely dependent on imports. The supply of all these metals is very short, far below the prewar level.

Most of the available aluminum reduction capacity was dismantled by the Soviets. Reports indicate that new capacity is being installed, but in view of the power shortage and the need to import all bauxite, it is unlikely that production will become substantial in the near future. Also short are most of the steel alloys, with the exception of ferro-silicon, which is made from quartz which is abundant in the area.

Chemicals

Most of the basic chemicals are in short supply, particularly sulphuric acid, caustic soda and calcinated soda. Great efforts are made to increase production in the coming years, and the 1955 targets have been raised again in the recent revision of the Five-Year Plan. Production of sulphuric acid and caustic soda is to double by 1955 as compared with 1950, and that of calcinated soda is to increase sixfold. In view of the shortage of imported pyrites, domestic minerals are to be used as raw material for sulphuric acid, but considerable technical problems remain to be solved.

Also in critical supply are oxygen, fatty acids, glycerine, toluol (for explosives), cyanimide salts (metal hardening agent), resins (for paints and lacquers), barium carbonate (for steam boiler cleaning), carbon bi-sulphide (for synthetic fiber production) and hydrochloric acid (demanded for uranium mining).

Other Materials.

Shortages exist in wood, leather, asbestos, natural rubber, and textile fibers among important raw materials. Industrial goods in critical

supply are ball and roller bearings, diesel injection pumps, electrodes, automobile parts, high-grade metal cutting tools, transformers, cables, electric motors, crankshafts, gears, grinding machines and many others.

Transportation

Another serious bottleneck in the economy is the rail transportation system which will be even more heavily taxed in the future by the scheduled 73 percent increase in freight traffic during the five-year period. In 1950 freight traffic had reached about 70 percent of 1936 and fell about 12 percent short of the target set for the year. The 1955 goal means an increase of about 25 percent over the prewar level. The freight car park is to be expanded by 40,000 cars, or more than 50 percent compared with the present park of 70,000-75,000 cars, but will still remain about 25 percent below prewar. Only 200 locomotives are to be added to the present locomotive park of 4,000.

The strains of the rail system are aggravated by the loss of track due to large-scale dismantling after the war. Only a small part of the dismantled track has been replaced. The Five-Year Plan envisages the laying down of only 750 km of additional track in spite of the fact that about 6,000 km had been dismantled in earlier years, reducing the net to 13,000 km. Replacement of about 2,300 km of existing track is programmed for the five-year period.

25X1 [redacted] doubt that the proposed replacement and expansion program can be managed. Close to 100,000 tons of steel per year are

required to maintain, replace and expand the car and locomotive park. Another 40,000 tons are required for the 750 km of new track. In view of the general steel shortage, it is doubtful whether the total quantity of steel needed for the program can be made available.

Creditable intelligence has been received that the roadbed, track, signal, and rolling equipment are in extremely bad condition and that many emergency measures are being taken to keep traffic going. This critical state of the railroads will make it all the more difficult to fulfill the high plan targets.

Shortage of skilled labor

Besides the shortage of materials, the scarcity of skilled labor raises serious problems for the East German Planning authorities. In order to provide an adequate supply of skilled workers for the realization of the economic plans, efforts are being made (1) to increase the total labor force, primarily by the increased employment of women; (2) to increase the number of positions for apprentices; (3) to retrain workers for critical trades. The realization of this program is meeting considerable resistance in the population.

The total number of employed (excluding persons employed within the family) is expected to rise by 890,000, or 13 percent in the next five years. In 1951 alone 300,000 additional workers are to be employed.

Very little of this increase can be achieved by reducing unemployment.

As of the end of August 1950, a total of only 83,000 men and 179,000 women were officially registered as unemployed. Moreover, more than half of the unemployed men and about one-fourth of the unemployed women are classified as handicapped. The number of registered unemployed represents only a little over 3 percent of the total employed population.

Three-fourths of the scheduled increase in total employment is to be achieved by the increased employment of women. The total number of employed women (excluding women employed within the family) is to rise from 2.48 million in 1950 to 3.20 million in 1955, or about 30 percent. The share of female workers in the total labor force is to increase from 37 percent at present to 42 percent in 1955. The percentage of women in publicly-owned enterprises is to rise from 33 percent to 42 percent.

The Labor Law (Gesetz der Arbeit) of April 1950 obligates all enterprises and administrations to employ women to the largest possible extent. The law provides for the employment of women in the mining industry and other trades never before open to female workers.

The apprentice plan for 1950 provided 221,000 positions for the 333,000 juveniles leaving school in that year. For the first time certain percentages of these positions were earmarked for female apprentices. In the field of precision mechanics and optics, at least 70 percent female apprentices are to be employed, and in the ready-made clothing industry 98 percent.

The drive for increased employment of women follows a well established

Soviet pattern. German tradition, however, has so far resisted this trend.

The shortage of skilled workers is particularly acute in the mining and metallurgical industries. The quality deficiencies in the output of the new iron and steel mills must be largely attributed to this factor.

General Difficulties of Economic Planning

To the physical shortages mentioned above must be added the general difficulty of developing and pursuing a balanced and consistent economic plan. The East German authorities have had only limited experience with the problems of coordination and phasing which this involves. Furthermore, since many production goals must be expressed in monetary terms, the problem of price changes (which are envisaged mainly in form of specific cost reduction) becomes important, and it is obvious from the literature on the subject that these difficulties have not been solved. The flow of funds is another problem that has bothered the authorities. It seems that many public enterprises have not strictly complied with the new regulations which require them to surrender their current assets to the central budget, but continue to retain a certain proportion for their own use.

The Pattern of External Trade

The economic plans for the period 1951-1955 rely heavily on large imports, particularly of critical materials, such as iron and steel products, non-ferrous metals, bituminous coal and coke and specialized machinery. Trade developments so far have not fulfilled expectations. In 1949 the volume of foreign trade was estimated at about 20 percent of the 1936 level, while interzonal trade reached only about 7 percent. Foreign trade plans for 1950, which envisaged more than a doubling of the trade volume, were not fulfilled. At the beginning of 1951 it was officially stated that the volume of foreign trade in 1950 increased 42.9

percent over 1949, which would put the volume of East German foreign trade in 1950 at roughly 30 percent of prewar. Trade with the USSR and the Satellites increased by 56 percent according to the same source. Applying these percentages to the 1949 figures, it would appear that the share of the Soviet orbit in East Germany's total trade has risen from 79 percent in 1949 to 87 percent in 1950. The 1951 plan provides for an increase of 60 percent over 1950, with particular emphasis on trade with the Eastern bloc. If this goal is achieved, the volume of foreign trade would reach about half the 1936 level. Judging from the official criticism leveled at the Foreign Trade Administration, it seems, however, that foreign trade got off to a slow start in 1951. Agreements finally concluded, notably with Czechoslovakia and Poland, provide for a substantial expansion of trade. Trade with the western world in 1951 is apparently somewhat larger than originally anticipated. In the second quarter of 1951, this trade accounted for 20 percent of East Germany's total foreign trade, rather than 13 to 15 percent as previously anticipated. This increase may be explained by the greater frequency of three-cornered deals to circumvent interzonal trade restrictions.

East-West German ("interzonal") trade in 1950 was about one-third above 1949 (1949 was low because of the blockade in the first part of the year), bringing it to a level of about 10 percent of the 1936 volume. West German deliveries to the East in 1950 consisted largely of steel products and vital industrial producers' goods. Metallurgical products accounted for about 30 percent, machinery for about 17 percent, chemicals for about 20 percent and metal products for about 6 percent of total

deliveries. The new interzonal trade agreement recently signed, but not yet implemented, provides for a similar pattern of West German deliveries, but permits a greater flexibility in determining the specific goods to be delivered. Actually, however, East-West German trade decreased by about one-third during the first half of 1951 compared with the average for 1950, and its relative importance in East Germany's total external trade decreased to about 10 percent.

It seems obvious that the DDR will continue to make determined efforts to obtain critical supplies from the West. Recent developments indicate, however, that a substantial increase of legal West German exports of strategic materials to East Germany is unlikely. On the other hand, East German attempts to procure the desired commodities by illegal means will probably be intensified. Should actual imports in 1951 fall considerably below the planned level, as is likely, the industrial production goals of the 1951 Plan will probably not be reached.

IV. THE CURRENT MILITARY SITUATION AND PROBABLE MILITARY DEVELOPMENTS

A. The Eastern German Ground Forces

2. A rapid expansion of the Alert Police would have serious political repercussions in Western Germany. It would provide the West Germans with dramatic evidence of the need for quickly developing a West German counter-force. Moreover, it might well have an adverse effect on Moscow's relations with the other Satellites, who would view the extensive rearmament of Eastern Germany with misgivings even though it were done under Communist auspices. An additional factor is the current Communist emphasis on the fulfillment of industrial targets. If the Alert Police were rapidly expanded, the labor force needed to fulfill industrial targets would be reduced. The low morale among the Alert Police as well as the probability of adverse public reaction are further considerations.

4. No special effects of the East German peace and anti-rearmament campaign have been observed among the Alert Police. Generally speaking, because of the monotony of the propaganda themes, the fact that part of the propaganda expenses is charged to members of the Alert Police, and the general lack of political curiosity, political indoctrination in the Alert Police has not been too successful.

5. i. Number. An estimated 200,000 PW's are still held in the USSR.

ii. Soviet intentions. There are no indications that German PW's are presently organized in military units.

While carefully selected and indoctrinated PW's are known to have been taken into the Alert Police in the past and have frequently been given important positions, there is no indication that positions in the Alert Police

are still being filled by PW's from the USSR. Such a development for any appreciable number of PW's is unlikely for the future, since long captivity has made these men physically and psychologically unfit for military service for the Soviet cause, and because if they were potential military material, they would have been given better treatment or perhaps already have been organized in military units. For the same reason, it is unlikely that PW's still remaining in the USSR will be organized into a German armed force in the USSR. This does not preclude the occasional use of German military experts among the PW's on the basis of any special skills they may have.

V. ADDITIONAL INDICATIONS OF PROBABLE SOVIET COURSES OF ACTION

1. The Absence of East German - East European Defense Pacts. East Germany's failure to have mutual defense pacts with the USSR and the other satellites would appear to be in part a reflection of its formal status as a territory occupied by the Soviet Union with no officially recognized armed forces of its own, and in part due to the psychological inadvisability of urging such pacts on countries such as Poland and Czechoslovakia with strong residual anti-German feeling among their populations.

Thus, the present status of East Germany in effect commits the USSR to its "defense" while East Germany itself has theoretically nothing to contribute to the defense of the USSR or other satellites. So longas the current Communist line on Germany is followed, recognition, explicit or implicit, of a military role for East Germany would have obvious adverse psychological effects in the West and among the Eastern European satellites similar to those already discussed for a separate treaty with East Germany.

With regard to the East European satellites, the concentrated emphasis recently placed on campaigns of German-Polish and German-Czech "friendship" would indicate that much remains to be done by way of securing popular acceptance of relations already existing or projected between those countries and Germany, let alone the preparation of public opinion for alliances with a rearmed Germany.

As an additional point, it should be remembered that similar existing pacts between the USSR and others are still formally directed against Germany. It is also worth noting that the network of these pacts is not complete even among the satellites to the extent that every satellite has concluded one with

every other. In general the absence of such pacts would seem to have no serious effect on the actual control of East Germany or its factual inclusion in the Soviet orbit.

2. Indications Regarding Soviet Objectives. Soviet policy in Germany has shown considerable apparent fluctuation in its detailed application and the aggressiveness with which it has been pursued. Thus, a period of emphasis on reparations through removal of capital equipment and general looting of the East German economy was followed by one of strenuous efforts to rebuild that economy, with removals taken from current production. A period in which the Kremlin sought additional overt influence in German affairs through four-power channels has been followed by one of emphasis on restoration of German sovereignty with Soviet influence to be exerted through the East German Communists. A thinly-veiled effort to force Western evacuation of Berlin was suspended in the face of determined resistance, and though pressure on the Western position in Berlin has continued, it has avoided ostensible challenge of the West's right to be there.

In general such fluctuation may indicate an adaptation of tactics and possibly of short-term objectives to varying conditions and changing estimates of relatively early success in attaining long-term objectives. The Kremlin may at first have expected a relatively short occupation of Germany, may later have felt that chances of expanding its control over all of Germany in the near future were relatively good, and finally have revised this estimate in the face of greater difficulties than expected, though evidence in these respects is by no means conclusive.

Soviet policy has been uniform however in progressively strengthening control of East Germany and excluding Western influence from the area and in

seeking by a variety of means greater influence in West Germany. In this respect it has been consistent with an ultimate goal of expanding Soviet control over the whole of Germany. While its fluctuations in application may indicate a periodic revision of the time factor, they appear in no way to indicate any change in the goal itself.

3. Soviet Policy in Germany as an Indicator of Soviet Policy Elsewhere. The general lines of Soviet policy in Germany may provide indications as to the general Soviet policy to be followed elsewhere. Thus, for instance, the expansionist tendencies evident in Germany are undoubtedly characteristic of Soviet policy in general, and the Soviet attitude toward rearmament in Japan may be expected to be similar to its attitude toward rearmament in Germany. Soviet policy in Germany can, however, give little reliable indication of the specific courses of action which the Kremlin may be expected to follow in implementing its policy in other areas and under different local conditions.